FINAL REPORT

RURAL INDEBTEDNESS ENQUIRY (1946 - 47)

WEST BENGAL

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26th March, 1950

Indian Statistical Institute
Presidency College
Calcutta

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INTRODUCTION

In 1945-46 the Indian Statistical Institute was entrusted by the Co-operative, Credit and Rural Indebtedness Department of the Government

HISTORY OF THE SURVEY. of Bengal with the task of conducting a survey of rural indebtedness in the province. It was suggested by Government that the enquiry should be designed to find out :-

"The extent of indebtedness on the eve of the war; "how it has been affected by subsequent developments; "how agriculturists and money-lenders have reached to them; "what are the tendencies at work for and against the utilisation of income for the liquidation of old debts etc. etc. "the investigation will have to be designed in a way so that it may bring out not merely the factual position regarding indebtedness be fore and after the war but also the psychological effect of the relative economic factors on the debts and money-lenders." (1)

0.2. One difficulty in conducting such a survey was that the bulk of the information required related to the past, to which our only approach lay through the memory of the people interviewed, as documents were not usually available about past debts and related transactions. In basing our studies on the figures obtained by interrogation, there was considerable risk of under-estimation as many debts incurred and repaid in the past were likely to have been forgotten. In the absence of a better alternative, this was, however, the only course that could be followed.

0.3 It was decided to conduct the enquiry in two stages, collecting, in the first stage, data on a limited number of items

DESIGN OF THE SURVEY from a large number of families and to cover, in the second stage, a smaller sample for more detailed information. In the first stage of the enquiry the entire province (undivided Bengal) was divided into 1247 square zones, each approximately of 64 sq. miles. Out of these 470 were selected at random with the help of random numbers. Each zone, thus selected, was divided on the map into 64 cells of one mile square. One such cell from each zone was again picked up

(1) Extract from "Scheme for investigation of rural indebtedness".

at random, and all households falling within such cells were
surveyéd according to a brief schedule of basic items, such as
sex and age composition of the family, caste and community,
occ pation, agricultural and other land, total indebtedness etc.
The number of families covered was 80,710 and the area coverage
was nearly 11,000 square miles of the inhabited rural area of the
province, the whole of the Darjeeling district and t he v ory sparsely
inhabited forest areas of the Sundarbans being excluded.

0.4   In the second stage of the survey of a definite proportion
of the families was selected at random from sample units of the
first stage, 80710 families in the first stage now giving a subsample
of about 10,000 families (a proportion of 12½% from each zone).
At this stage more detailed information was collected with regard
to occupation, assets and liabilities, history of previous loans
and their payment and similar items.

0.5   The first phase of the surveywas conducted during the
period 15 February to 17 April, 194ᵕ and t he second phase during
THE FIELD   the period 2 February to 19 March, 1947. The
WORK.
                staff employed consieted of 232 Investigators,
59 Inspectors, 23 Chief Inspectors and Supervisors, and 87 clerical
and other overhead staff in both the phases. The field work was
conducted under the s pervision of Sri N. C. Chakravarti, M.A.,
Assistant Sec etary to the Government of Bengal andSuperintendent
of Statistical Surveys, Indian Statistical Institute, assisted by
Sri D.M. Ganguly, M.Sc., Deputy Superintendent. The first stage of
survey was completed in April 194ᵕ and the second stage in March
1947.

0.6   The field expenditure amounted to Rs. 33,990 and the statis-
tical analysis cost Rs. 49,492, the total cost of the project being
COST OF THE   Rs. 83,482, which is a very low figure compared
SURVEY.
                to the work involved. The staff originally employed
for the Bengal Crep Survey conducted the work on Rural Indebtedness
during periods of slackness in their normal work. The over-head
charges of the present enquiry were thus reduced to a minimum and the
"Indebtedness" survey may be s aid to have emerged as a bye-product

from the main Crop Survey scheme - and at marginal cost.

0.7   Reports drawn up on the most important aspects of both the surveys were submitted as the 1st and 2nd interim reports on

ARRANGEMENT   7th February 1947 and 10th July 1948 respectively.
OF REPORTS.

The partition of the province took place between the submission of these two reports. This raised new difficulties. Originally district notations related to the old boundaries, but it was now necessary to prepare separate estimates for the two parts of the divided province. The present report deals with the West Bengal portion of the material, though occasionally figures for Bengal as a whole have been retained in the tables for purposes of comparison. The zones, families and individuals falling in the West Bengal sample are detailed by districts in the following table separately for the two stages of the Survey.

Table 0.1
Zones, families & individuals in the West Bengal
sample by districts.

districts	first stage, 1940			second stage, 1947		
	zones	families	indivi-duals	zones	families	indivi-duals
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Bankura	19	1625	8437	18	183	985
2. Birbhum	14	1973	9399	12	214	1095
3. Burdwan	20	3333	15664	20	335	1710
4. Dinajpur (West)	11	1015	5404	10	97	537
5. Hooghly	9	1319	6328	6	120	594
6. Howrah	7	1516	7830	4	178	914
7. Jalpaiguri	7	904	4673	8	119	533
8. Malda	10	1896	10005	10	191	1015
9. Midnapur	30	4890	24404	35	557	2819
10. Murshidabad	15	2067	9408	14	239	1243
11. Nadia	12	752	4041	8	85	460
12. 24-Parganas	19	3391	17405	18	306	1570
West Bengal	179	24741	123168	163	2630	13475

The number of zones in the first stage was 179, while in the second stage, it will be seen, that only 163 zones have been recorded. This is due to the fact that in the later stage the primary data from some of the zones fell below the desired standard of reliability and had to be discarded. The number of families interviewed at the two stages were 24,741 and 2,630 respectively.

0.8   The report is divided into four sections, the first of which
deals with the extent of indebtedness. The Second Section studies the
relation ship between indebtedness and economic and social stratification
of the population while the third examines the trend of indebtedness during
the period 1942-1947 over which we have sought to formulate yearly estimates.
In the fourth and last section of the report we have studied the social,
economic, psychological and financial aspects of indebtedness along with
the mechanism of loan transactions.

SECTION I. THE EXTENT OF INDEBTEDNESS.

1.1   To study the extent of indebtedness, we have not only to examine the prevalence of debt amongst the population, but also its v lume or amount.

1.2   The prevalence factor has been measured in terms of the percentage of families in debt. In the following table it will be seen how the

PREVALENCE OF   percentage of families in debt varies from district to
INDEBTEDNESS.
district and also the manner in which it has altered

between February 1946 and March 1947.

Table 1.1 : Percentage of families in debt by district.

district	no. of zones surveyed		percentage of families in debt $\pm$ S.E.		't'
	first stage 1946	second stage 1947	first stage 1946	second stage 1947	
(1)	(2)	(3)	(4)	(5)	(6)
Bankura	19	18	45.42 $\pm$ 1.17	36.06 ' 3.24	2.72
Birbhum	14	12	52.10 + 2.12	29.44 ' 3.00	6.17
Burdwan	20	20	40.51 . 1.97	39.57 ' 2.28	0.31
Dinajpur	11	10	41.77 . 3.48	31.96 ' 4.22	1.79
Hooghly	9	6	63.53 ' 1.39	26.19 ' 3.09	10.17
Howrah	7	4	50.36 + 2.01	31.40 ' 3.11	5.24
Jalpaiguri	7	8	33.40 + 4.23	13.08 ' 2.06	4.07
Malda	10	10	24.42 ' 3.86	20.42 2.01	0.86
Midnapur	36	35	65.05 ' 1.01	40.08 . 1.92	8.33
Murshidabad	15	14	40.93 ' 2.40	29.71 / 2.73	3.09
Nadia	12	8	56.93 + 2.89	36.47 + 4.52	3.83
24 Parganas	19	18	58.60 ' 1.39	18.93 : 2.02	16.18
West Bengal	179	163	50.02 + 0.29	30.91 + 0.79	22.75

1.3   It will be seen that in the   rovince as a whole, 50 p.c. of the families are in debt in 1946, while in1947, the extent of indebtedness has come down to 31. p.c. The value of 't-stati tics' given in col. (6) is 22.7 and shows that the decline is significant in the statistical sense. This improvement in the debt position c. the rural families may, in general, be ascribed to the rise in prices, and other effects of t e world ar II. As regards the variation from district to district, this is consi rable, ranging from 24 p.c. to 65 p.c. in 1946 and from 10 p.c. to 30 p.c. in the next year. The values of 't-statitios' in col. (6) show a significant decline in the percentage of families in debt between February 1946 and March 1947 in all the districts except Malda and Burdwan. The sampling error in the district estimates of percentage of families in debt, as can be een

from cols. (4) and (5), lies within 5 p.c. with the exception of 3 districts for the first stage and below 12 p.c. with the exception of 2 districts for the second stage, while for the province these are 0.6 and 2.6 p.c. in the first and second stages respectively. This difference in precision in the estimates based on the two stages of the survey is accounted for by the difference of the sizes of samples.

1.4   The volume if indebtedness is intended to show the degree to which the families are indebt and this has been measured by the average debt

VOLUME OF
INDEBTEDNESS

per family. The variation in the size of family loan from district to district and also the change between February 1946 and March 1947 are shown in the following table.

Table 1.2 :   Average debt per family by districts.

district	first stage 1946		second stage 1947		average amount of debt per indebted family in rupees with standard error		't'
	zones	families	zones	families	first stage 1946	second stage 1947	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bankura	19	1625	18	183	116.53 ± 20.26	77.27 ± 12.85	1.64
Birbhum	14	1973	12	214	118.09 ± 20.47	102.07 ± 22.24	0.53
Burdwan	20	3333	20	335	147.72 ± 19.69	132.72 ± 13.17	0.56
Dinajpur	11	1015	10	97	111.62 ± 24.24	119.90 ± 45.45	0.16
Hooghly	9	1319	6	126	132.75 ± 10.57	137.90 ± 43.02	0.12
Howrah	7	1516	4	178	142.78 ± 30.25	145.96 ± 54.74	0.05
Jalpaiguri	7	964	8	119	156.36 ± 37.33	80.08 ± 4.56	2.03
Malda	10	1896	10	191	128.76 ± 43.91	60.00 ± 16.61	1.47
Midnapur	36	4890	35	557	119.44 ± 12.55	143.45 ± 28.38	0.77
Murshidabad	15	2067	14	239	122.12 ± 15.44	118.33 ± 19.91	0.15
Nadia	12	752	8	85	115.93 ± 18.07	196.67 ± 44.37	1.66
24-Parganas	19	3391	18	306	129.90 ± 14.22	192.98 ± 47.55	1.30
West Bengal	179	24741	163	2630	127.41 ± 5.69	131.17 ± 9.70	0.33

1.5   The district estimates of the amount of debt per family varies from Rs. 112 to 156 in February 1946 and from Rs. 60 to 197 in March 1947 while, for the province as a whole, the estimates are Rs. 127 and 131 in 1946 and 1947 respectively. The provincial estimate of amount of debt per family, as can be seen from the values of the t-statistics in col. (8), does not alter between February 1946 and March 1947. In the case of districts also, the same tendency is noticed except in the case of Jalpaiguri The sampling error in the district estimates of amount of laon per family as can be seen from cols. (6) and (7), lies within 22 p.c. with two exceptions for the first stage, and within 25 p.c. with two exceptions for the second

second stage, the corresponding figures in the provincial estimate

being 4.5 and 7.4 p.c. in the first and second stage respectively.

1.6   For a more comprehensive idea of the volume of indebtendoness,

the distribution of the families at different levels of indebtedness is

shown in the following table.

Table 1.3. :   Distribution of the families
according to the size of debt.

size of debt in Rs.	first stage, 1946		second stage, 1947	
	no. of families in debt	p.c. to total	no. of families in debt	p.c. to total
(1)	(2)	(3)	(4)	(5)
1 - 50	6191	50.06	360	44.33
51 - 100	2645	21.39	168	20.69
101 - 150	980	7.92	99	12.19
151- 200	857	6.93	37	4.56
201 - 250	377	3.05	38	4.68
251 - 300	415	3.36	16	1.97
301 - 350	97	0.78	26	3.20
351 - 400	218	1.76	22	2.71
401 - 450	50	0.40	8	0.99
451 - 500	204	,1.65	9	1.11
501 - 1000	230	1.86	20	2.46
1000 & above	104	0.84	9	1.11
total	12366	100.00	812	100.00
no. of families interviewed	24741		2630	

It can be seen that for about 71.5 p.c. of the indebted families the

amount of debt in February 1946 is below Rs. 100/- and for only 2.7 p.c.

the debt is above Rs. 500/-. In March 1947, the amount of debt is within

Rs. 100/- for 65 p.c. of the indebted families and only for 3.6 p.c. the

debt exceeds Rs. 500/-. Thus in the majority of cases, the size of the

debt is not very high.

1.7   With a view to examine the size of the loan transactions, the

distribution of the different loans, according to the amount involved is

shown in the table below.

Table 1.4 :   Distribution of loan transactions
by amount involved.

size of loan in Rs.	no. of loans in 1947	p.c. to total
(1)	(2)	(3)
1 - 50	1035	68.91
51 - 100	236	15.71
101 - 150	84	5.59
151 - 200	58	3.86
201 - 250	26	1.73

Table 1.4 : Distribution of loan transactions
by amount involved.

size of loan in Rs. (1)	no. of loans in 1947 (2)	p.c. to total (3)
251 - 300	28	1.86
301 - 350	6	0.40
351 - 400	10	0.67
401 - 450	3	0.20
451 - 500	4	0.27
501 - 1000	12	0.80,
1000 & above	-	-
total	1502	100.00
no. of families interviewed	2630	

It can be seen that in about 85 p.c. of the loan transactions
the amount involved is within Rs. 100 and in less than 1 p.c.
of the transactions does the amount exceeds Rs. 500.

1.6 We have so far considered only the interest bearing cash
loans, being of a type that is usual and easily understood

INTEREST FREE   in its implications. There is however
LOANS.
                    a large volume of intrest-free loans
also, which contribute to the total cash liabilities of indebted
families. An estimate of such total case liability has been
aimed at in table 1.5 below.

Table 1.5 : Estimates of interest bearing and interest-free
cash loans in 1947 by districts.

district (1)	no. of families interviewed (2)	interest bearing loans		interest free advances		total cash liabilities	
		p.c. of families indebted (3)	average amount in Rs. per indebted family (4)	p.c. of families indebted (5)	average amount in Rs. per indebted family (6)	p.c. of families indebted (7)	average amount in Rs. per indebted family (8)
Bankura	183	36.07	77.27	20.22	44.67	36.74	66.20
Birbhum	214	29.44	102.07	15.89	61.32	42.06	94.62
Burdwan	335	39.57	132.72	22.98	79.18	46.87	117.45
Dinajpur	97	31.96	119.90	17.53	69.47	46.39	108.84
Hooghly	126	26.19	137.90	21.43	104.15	35.71	163.62
Howrah	178	31.40	145.98	19.60	59.31	46.63	123.51
Jalpaiguri	119	10.08	80.08	16.81	81.15	32.77	66.26
Malda	191	20.42	60.00	8.70	77.00	27.23	70.17
Midnapur	557	46.68	143.45	21.01	77.82	59.60	130.77
Murshidabad	239	29.71	118.83	10.46	48.92	38.91	103.87
Nadia	85	36.47	190.67	29.41	94.84	52.94	188.18
24 Parganas	306	18.93	192.98	20.26	80.40	36.27	148.75
West Bengal	2630	30.91	131.17	18.75	74.08	45.40	119.90

1.9   It will be seen that interest free cash loans are received by nearly 19 p.c. of the families in the province, while the percentage of families under interest bearing debts is about 31, the percentage of families involved in either of these debts being about 45. Thus about 14 p.c. of the families are indebted only in respect of interest free advances, and 5 p.c. in both. The average amount of interest free advances per family is Rs. 74.1, and that of interest bearing loans is Rs. 119.9. This reduction in the total liability is due to the interest free loans being much smaller than the interest bearing loans. In the case of districts, percentage of families with interest free advances varies from 9 to 29, and the average amount of such advances per family from Rs. 45 to 104.

1.10   Both prevalence and volume of interest free advances are sufficiently large to raise the question as to how such facilities of interest free loans are available in these hard times. There are two possible reasons : it may be that such loans are really offered in consideration of the interest being paid off in personal service or in crops the real value of which is greater than the money value advanced. A second alternative is that among the more prosperous sections such loans may be based on an understanding of give and take.

1.11   There is yet a third type of loan in rural areas, namely crop loans. These are usually advanced in paddy and repayment is also

     CROP LOANS.   likewise. It may seem unnecessary to evaluate such crop loans in terms of money, for various reasons; in the first place there is not the same sense of urgency as in the case of cash loans and in the second place, there being no anxiety as to the effect of an adverse trend of crop price, the time factor in repayment is not so important. Nevertheless, to get an idea of the total obligations of a family, crop loans must be considered as an important element. The percentage of families involved in such loans, the quantity of crop advanced per family and the value in rupees are shown by districts in the table below.

Table 1.ᵤ : Percentage of families in c rop d ebt and a verage
amount of loan per family by dis-ricts.

district	percentage of indebted families	loan per family in mds. of crops	estimated value in Rs.
(1)	(2)	(3)	(4)
Bankura	19.ᵤ7	7.33	ᵤ2.48
Birbhum	7.94	9.00	ᵤ7.95
Burdwan	13.43	11.84	97.08
Dinajpur	1ᵤ.49	9.94	69.18
Hooghly	11.90	9.53	78.14
Howrah	0.56	20.00	1ᵤ4.00
Jalpaiguri	11.7ᵤ	9.57	77.90
Je-sore	ᵤ.78	15.25	39.98
Malda	7.85	4.80	83.22
Midnapur	17.41	12.44	115.11
Murshidabad	5.44	13.77 ·	8ᵤ.23
Nadia	8.24	11.14	59.74
24 Parganas	4.45	ᵤ.82	ᵤ0.70
..est Bengal	11.0ᵤ	10.58	89.74

It will be seen that the percentage of indebted families is low
though the debt per indebted family is quite high. The average
loan per family for the province is 10.58 maunds valued at Rs.89.74.

    1.12 Total volume of debt in the province : On the basis of
the percentage of families in debt and average amount of debt per
family, mentioned previously, for different types of loans, the
estimates of total volume of debt in march 1947 in the rural areas
of the provinces, come to 15 and 5 crores of rupees in respect of
interest bearing and interest free cash loans, the total cash
liability being 20 crores of rupees. The estimate of quantity of
paddy taken on loan is about 43 lakh of mds., equivalent to 3.ᵤ
crores of rupees in terms of money, giving a total debt of 23.ᵤ
crores of rupees.

    SECTION II. INDEBTEDNᵤᵤS IN DIFFERENT ECONOMIC STRATA.

    2.1 The impact of a loan cannot be fully appreciated until
it is examined against the economic background of the borrowing
families. Under certain circumstances the burden of a loan may be
relatively negligible, in other quite oppressive, depending on the
property or income status of the debtor. The nature of the burden
may also depend on the purpose of the loan; thus loans to meet
the cost of cultivation would be really productive loans, while

~~while~~ those incurred for food and other living expenses are indications of poverty. Again, a loan to meet the social and religious obligations of a family would be in the most expensive category as being of no direct benefit to the family.

2.2   The size of holdings is found to be a very convenient index of economic status of the family in rural areas, and indebtedness in

DEBT AND SIZE   1947 has been classified below according to the
OF HOLDING.
                       size of cultivable land owned.

Table 2.1 : Indebtedness by the size of land owned.

cultivable land owned in acres	no. of families interviewed	cash loans		crop (paddy) loan
		interest bearing	interest free	
(1)	(2)	(3)	(4)	(5)
(a) percentage of families indebted				
below 2	1701	28.87	18.7	12.23
2 - 5	480	34.79	20.0	11.67
5 - 10	283	39.40	17.3	7.42
10 & above	166	29.52	18.1	3.01
total	2630	30.91	18.75	11.06
(b) average loan per family				
		Rs.	Rs.	Rs.
below 2	1701	82.87	55.48	8.77
2 - 5	480	128.99	100.05	10.93
5 - 10	283	231.82	104.92	18.95
10 & above	166	404.92	137.73	40.83
total	2630	131.17	74.03	10.53

2.3   As regards the percentage of families in debt it increases for interest bearing loans with every rise in the size of holding upto 10 acres and then decreases. Percentage under interest free loans remain more or less steady throughout, while that under crop loans decreases as area increases. In the case of interest bearing loans, the rise in percentage of indebted families with an increase in the size of holding reflects the rising credit and also perhaps the need of taking larger loans for productive purposes. Interest-free loans, however, have very little relationship to property status

or credit of the debtor and confirm our previous hypothesis about the consideration for the loan being mutuality or free service rather than a monetary one. Crop loans are taken only for consumption purposes and families with increasingly larger holdings are more and more self-sufficient in food.

2.4   Variation of the average loan per family with the size of holding is of course, in conformity with expectation. The more prosperous the family the larger the unit of transaction whether in cash or kind because of better credit with larger holdings.

2.5   We have also attempted an analysis of indebtedness by

OCCUPATION GROUPS AND INDEBTEDNESS.

occupational groups, the various occupations being specified as follows :-

(1) Proprietors : Families whose main income is derived from rent or revenue. This group has become somewhat heterogenous containing quite well-to-do rent recieving classes as also very poor and indigent families who rent out their land as they cannot afford to cultivate it for lack of working capital.

(2) Farmers : Families mainly tilling land in their own possession with hired labour.

(3) Cultivators : Families tilling their own land and sometimes land taken on lease or share cropping system, mainly with their labour and, only partly with hired labour.

(4) Share croppers : Families who mainly live by tilling others' fields on a share-cropping basis.

(5) Agricultural labourers : Families whose livelihood is derived mainly from wages earned as hired labourers.

(6) Craftsmen : Rural artisans like carpenters, potters, blacksmiths, and weavers.

(7) Liberal professions : Lawyers, school masters, professionals etc

(8) Trade

(9) Other occupations, those not specified above.

Table 2.2 : Indebtedness by occupational groups.

principal occupation	number of families	cash loans		crop (paddy) loans
		interest bearing	interest free	
(1)	(2)	(3)	(4)	(5)
		(a) percentage of indebted families		
proprietor	35	28.57	14.28	2.9o
farmer	105	40.95	13.33	5.71
cultivator	797	3o.2o	18.32	10.51
share-cropper	190	34.21	23.1o	25.89
agr. labourer	698	30.08	20.o3	12.89
craft	o8	27.94	23.53	4.41
liberal profession	188	29.79	21.28	7.98
trade	240	22.92	15.93	7.92
others	309	21.3o	14.89	7.80
total	2o30	30.01	18.74	11.0o
		(b) average loan per family		
		Rs.	Rs.	mds.
proprietor	35	719.00	156.o0	2.3o
farmer	105	254.6o	78.07	5.71
cultivator	797	131.00	104.75	10.51
share-cropper	190	77.oo	o2.3o	25.99
agr. labourer	698	54.30	35.71	12.89
craft	o8	82.05	87.o9	4.41
liberal profession	188	105.1o	90.45	7.98
trade	240	125.78	95.29	7.92
others	309	73.47	63.o7	7.80
total	2o30	131.17	74.08	10.5o

It will be seen that the cultivator groups (farmer, cultivator, share-cropper) are more extensively indebted than the others; it will be further noted that even amongst cultivators, the more well-to-do sections are more widely indebted than the poorer sections. In the case of crop loans however, the share croppers (the poorest section of cultivators) show the higher extent of indebtedness.

2.5   The average loan per family in different occupational groups appears to reflect the relative credit positions in the case of cash loans; proprietors, farmers and cultivators come in successive order, trade being fourth in importance. As regards crop loans, farmers, share-croppers and agricultural labourers have high averages.

2.o   We give below the distribution of the total volume of the

DISTRIBUTION OF TOTAL DEBT AMONGST DIFFERENT INCOME GROUPS

interest bearing debts amongst different income groups as an indication of the relative burdens.

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Table 2.3 : Percentages of total debt borne, by income levels.

annual income in rupees	p.c. of surveyed families n = 2030	p.c. of interest bearing debt borne
(1)	(2)	(3)
below 600	44.20	18.11
600 - 1200	35.02	36.27
1200 - 1800	10.95	22.17
1800 - 2400	5.09	16.47
2400 - 3000	2.09	3.30
3000 - 3600	0.90	1.03
3600 & above	1.63	2.59
total	100.00	100.00

2.7 It will be seen that 93 p.c. of the total debt is incurred by families having an annual income less than Rs. 2400 and forming 95 p.c. of the total population. Only 4 p.c. of the total debt is incurred by families constituting 3 p.c. of the population and having an annual income more than Rs. 3000.

2.8 The following table gives the distribution of the total debt for different occupational groups.

Table 2.5 : Percentage of total income shared and total debt borne by occupational groups.

principal occupation	p.c. of surveyed families n = 2030	p.c. of interest bearing debt borne
(1)	(2)	(3)
proprietor	1.33	2.45
farmer	3.99	10.93
cultivator	30.30	47.44
share-cropper	7.22	6.19
agricultural labourer	20.54	11.59
craftsmen	2.59	1.50
liberal profession	7.15	6.49
trade	9.13	8.61
others	11.75	4.80
total	100.00	100.00

2.9 It will be seen that the cultivators constituting 30.3% of the population bear 47.4% of the total debt. The next in importance is the agricultural labourer forming 20.5% of the population and having 11.6% of the loan on their shoulders. Farmer and Trade come next in order respectively.

SECTION III. TREND OF INDEBTEDNESS.

3.1.   In this section an attempt has b·en made to analyse the trend of
indebtedness during the period 1942 - 1947. The comparison from year to
year is however, beset with the difficulties mentioned at the very beginning
of the report, namely, the probability of past loans, already repaid, having
eluded the memory of the persons interviewed.

3.2.   Table below gives the percentage of families, (relative to the

TREND IN EXTENT   total number interviewed in 1947) who could
OF INDEBTEDNESS
                          recollect their debts of previous years.

Table 3.1. Extent of indebtedness during 1942-1947
on the basis of interviews in 1947.

District	no. of families interviewed in 1947	Percentage of families returned as indebted in the year.					
		1942	1943	1944	1945	1946	1947
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bankura	183	6.01	12.57	13.11	24.04	34.43	36.06
Birbhum	214	6.07	14.49	15.89	25.09	30.84	29.44
Burdwan	335	5.07	8.36	10.75	16.42	27.76	39.57
Dinajpur	97	7.22	8.25	12.37	15.46	26.80	31.96
Hooghly	126	3.97	6.35	11.90	13.47	24.60	26.19
Howrah	178	6.18	10.67	16.85	19.60	30.90	31.46
Jalpaiguri	119	0.84	5.04	5.04	5.88	8.40	10.08
Malda	191	9.42	7.85	11.52	15.71	19.37	20.42
Midnapur	557	6.46	23.70	28.54	32.32	44.16	46.68
Murshidabad	239	7.95	12.97	15.90	16.74	28.87	29.71
Nadia	85	5.88	7.06	9.41	12.94	22.35	36.47
24-Parganas	306	5.56	8.50	13.07	13.40	16.30	18.93
Total	2630	6.08	12.66	16.12	19.70	29.32	30.91

It may be seen that the percentage of families gradually increases
from 6 to 31, but it seems very unlikely to us that such low levels of
indebtedness did actually prevail in the years prior to 1946. The more remote
the past the less the number of returns; this is the case in more or less all
the districts. It will be seen, however, that the relative position of the
distibts in the matter of indebtedness remain more or less steady throughout
the period.

3.3   The next table ives the average loan per indebted family based

                          on the returns obtained.
TREND IN VOLUME

OF INDEBTEDNESS

Table 3. 2. Average loan per indebted family during
1942 - 47 on the basis of interviews in 1947.

District	no.of families interviewed in 1947	Average amount of loan in Rs. per indebted family in the year					
		1942	1943	1944	1945	1946	1947
(1)	)2)	(3)	(4)	(5)	(ь)	(7)	(8)
Bankura	183	146.64	131.09	121.50	82.23	107.75	77.27
Birbhum	214	191.31	97.31	94.65	99.42	91.50	102.07
Burdwan	335	117.88	1C2.64	107.50	95.C7	1C2.55	132.72
Dina:pur	97	228.86	186.38	124.00	111.40	137.00	119.90
Hooghly	126	203.40	139.38	100.47	1CC.47	99.19	137.90
Howrah	178	141.64	116.58	101.50	110.60	114.38	145.98
Jalpaiguri	119	21.C0	52.60	55.83	50.43	74.10	80.08
Malda	191	26.78	37.93	41.36	57.07	40.86	60.C0
Midnapur	557	85.17	64.92	58.24	57.15	90.18	143.45
Murshiddbad	239	120.79	100.22	98.45	99.15	96.41	118.83
Nadia	85	148.40	39.33	133.25	106.82	142.26	196.67
24-Parganas	306	114.05	76.74	67.78	84.12	84.62	192.98
Total	2630	118.56	88.06	81.23	79.96	96.40	131.17

The figures for average loan per indebted family appears to be fairly reliable.
This is probably due to the fact that those families which could recollect their
loans did so more or less correctly. These figures do not differ much from some
other estimates for the same years, based on interviews in these years. For
example, the average loan per family for 1943 and 1944 (Rs. 86.1 and 81.2) agree
well with the estimates (Rs 85.5 and 82.1) based on Rehabilitation Enquiry,
Bengal conducted in 1944. Accepting these estimates of average loan per
indebted family to be sufficiently reliable, at least for a rough study of
trend in indebtedness, the period between 1943 and 1945 shows a downward trend
in average loan per family with a rising trend during 1946 and 1947. The real
burden however, considering the rise in prices, shows a tendency to decline.
In the absence of any appropriate index for deflation, an attempt to show the
trend in the real burden of indebtedness, cannot be made in quantitative terms.
The decline during the war years upto 1945 shows that at least a section of
the rural population benefitted from the high prices of cros and raw materials.

3.4. What sections actually succeded in clearing themselves is
revealed from a strate-wise analysis of the volume of loan during this period

in the following table.

Table 3.3   Amount of loan in fs. per indeb ed family
in different years by area owned.

land owned in 1947 in acres	no.of families interviewed	Amount of loan in Rs. per indebted family in the year					
		1942	1943	1944	1945	1946	1947
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Below 2	1701	61.7	54.5	52.3	51.7	65.1	82.9
2 - 5	480	119.7	93.8	84.5	81.9	102.6	129.0
5 - 10	283	313.6	148.0	140.4	137.6	170.0	231.9
10 & above	166	345.2	288.0	248.0	252.4	262.4	404.2
Total	2630	118.6	89.1	88.2	80.0	90.4	131.2

Subject to the limitations, explained previously, it will

be seen that the classes owning above 5 acres were able,

during the war period to pay off their loans to a very

large extent, though since 1945 an increase is again noted.

The general conclusion that can be drawn, therefore, is

that during the war period indebtedness of the poorer sec-

tions was more or less at the same level while the richer

sections were definitely able gradually to reduce their

loans to a large extent.

3.5.   Estimates of the total volume of indebtedness

for undivided Bengal obtained in some of the years

TREND IN THE during 1930 - 1946, are shown in table
VOLUME OF
PROVINCIAL   3. 4.
DEBT

Table 3. 4.   Estimates of total volume of debt for undi-
vided Bengal during the period of 1930-1946.

Description of the Enquiry	YEAR	p.c. of families indebted	Average loan in fs. per family	Estimated value of loans in crores of Rs.
(1)	(2)	(3)	(4)	(5)
Provincial Banking Enquiry	1930	-	147.0	100.00
Famine Enquiry	1943	29.0	85.5	25.40
Famine Enquiry	1944	56.7	82.1	46.70
Rural indebtedness Enquiry	1946	53.7	148.1	79.60

3.6.   Before commentin on the difference between the

various estimates given above it is necessary to give

a brief account of the methods employed and the population

covered in the different enquiries.

3. 7. The provincial Banking Enquiry Committee of Bengal (1930) estimated the total indebtedness in the following way. 37,6,698 members of co-operative societies were examined and data about their assets and liabilities were obtained. The average debt per indebted family was found for such persons to be Rs. 147/-. The Committee concluded from this :

"The questions naturally arises whether they form a fair sample of the whole body of agriculturists. At one end of the scale there are people who are so well off that they do not desire to incur the risk of unlimited liability by enlisting themselves as members. At the other hand there are persons who are so poor that they are refused membership.

It is therefore, not unfair to assume that the co-operative population represent the medium agricultural population. The average obtained for co-operative is, therefore, a reasonably accurate estimate of the average for the whole body of agriculturists."

The estimates therefore, of this body is based mainly on certain arbitrary assumptions which destroy the basis of any precise comparison.

3. 8. In the Rehabilitation Enquiry 42 affected sub-divisions were surveyed, villages and families within these sub-divisions were being selected at random. Multiplier used for provincial estimate was the census number of households in rural Bengal in 1941, which was (extrapopulated for 1944) 1.00 crores approximately. Further, the data about debts etc. for 1943 were actually obtained by interrogating families during 1944. Informations regarding periods already past being given from memory, a small proportion of actual debts may have been missed in the information supplied but this is not likely to have been appreciable. The designs of the last two surveys have been already given.

3. 9. From the descriptions given above of the different methods of enquiry covering the different sections of population it is evident that the various estimates exhibit rather a confused picture of the various effects not merely in the differences in periods they refer to but also the differences in the areas covered by the enquiries. Another important point that has to be remembered is that the purchasing power of a rupee in 1930 must have been considerably different.

3.10. Thus, on the basis of these estimates of total volume of indebtedness novalied quantitative comparisons can be made. Broadly, these indicate that the level of indebtedness was high round about 1930. and declined between the years 1930 and 1943. Since 1943, again, it has shown a tendency to rise. This rise is however in the nominal volume.

3.11. This indication of decrease in volume of indebtedness from 1930 to 1943 may be accounted for the some extent, if we consider the effects of the Money Lenders Act and the Bengal Agriculture Debtors' Act. The former led to the settlement of many debts by Money Lenders at large concessions, and the latter led to the scaling down of many debts by the Debt Settlement Boards.

3.12. Another fact responsible for the decrease in volume of loan, is that in many cases, the village Mahajans gave up the profession of money lending due to legal difficulties in recovering loans, rural families had to acquire money by selling assets. This is brought out from the figures of the Registration Department given in table

3. 5.

T A B L E 3. 5.

Number of sales and mortagages registered
during 1940 - 43.

Year	no. of regist red deeds ** of transfer (in 000)		no. of mortgage expressed as p.c. of number of sales
	Sale	Mortgage	
(1)	(2)	(3)	(4)
1940	65	10	24
1941	87	15	17
1942	88	10	11
1943	169	18	10

It may be noted from the above figures that during 1940-1943 the number of mortgage which reflect the trend of secured debts lagged far behind the number of sales accounted. The majority of sales are likely to have been transacted with Mahajans to whom the families were indebted or with whom the land was mortgated. In such cases, it is quite natural to

natural to assume that the Mahajan must have deducted his arroar dues from the price, thus, in effect, liquidating a part of the outstanding loan.

3. 13. The estimates of total volume of indebtedness in West Bengal based on the two stages of the present investigations, conducted in the years 1946 and 1947, are respectively 23-32 and 19.93 crores of rupees. Having no other estimates for this part of Bengal it is not possible to attempt any comparison.

SECTION IV. THE ECONOMICS OF RURAL FINANCE.

4. 1.   In this section we have dealt with the reasons for incurring loans, the sources of loans, the xxxxxx rates of interest and the inter-relationship of these factors, giving a picture of what we may call the Economics of Rural Finance. In our previous sections we have studied loans in relation to the family, but in this section the emphasis is on the loan as a unit of financial transaction, irrespective of its burden on the family. We have, at the same time, tried to trace the evolution of the Economics of rural indebtedness from 1942 to 1946 and this has been done on the basis of the returns obtained in 1946 of the loans outstanding in each successive year since 1942. For the 2030 families surveyed in West Bengal the number of loans recorded was 1509, but because of the obvious defects in the returns of past loans, as already indicated in para 0.2, our results in this field must be taken to indicate only rough trends rather than a precise measure of the changes during the period.

4. 2.   The com on reasons for the incurrence of debts by the

CAUSE OF
INDEBTEDNESS.

rural population are found to be :

(1) food	(5) arrear of rent
(2) house repair	(6) repayment of old loans
(3) Social and re-ligious expenses	(7) Cultivation
(4) litigation	(8) other causes

Items (1), (2) & (3) may be said to bear directly on the living expenses, and items (7) on the occupational expenses, while items (4), (5) & (6) may belong to either category. Item (8) covers all the miscellaneous causes. The following table analyses the causes of indebtedness in different occupational groups.

Table 4. 1.   Causes of indebtedness and occupational status of
debtors.   (Percentage distribution of amounts.)

Principal occupational groups. (0)	Food (1)	House repair (2)	Social & religious (3)	Litigation (4)	arrear rent (5)	Cultivation. (6)	repayment of old loans (7)	Others (8)	Total (9)
Proprietors	54.90	-	22.17	-	9.96	12.97	-	-	100.00
Farmers	35.38	8.43	17.92	0.47	8.78	2.46	1.41	25.15	100.00
Cultivators	44.01	0.60	10.27	0.40	8.41	12.07	0.21	24.03	100.00
Share-Croppers	55.98	1.96	17.78	-	1.04	5.34		17.90	100.00
Agri.Labourers	71.70	5.71	5.82	0.27	4.18	3.15	0.88	8.29	100.00
Craftsmen	53.58	10.91	17.04	-	2.73	3.95		11.79	100.00
Liberal profession	60.56	4.73	5.08	-	2.57	6.86	0.19	20.01	100.00
Tradesmen	42.92	2.55	6.47	5.54	17.61	3.15	-	21.76	100.00
Others	53.39	2.78	8.78	-	10.96	4.86	0.43	13.80	100.00
Total	48.86	2.81	10.72	0.75	7.99	8.02	0.39	20.46	100.00

4.3.   For the rural population as a whole food is the largest single
factor behind indebtedness, social and religious functions coming next
in importance. It may be seen that the poorer groups, specially the
agricultural labourers are driven to debt most frequently for food. As
for other reasons, litigation is not a significant fac or for any group
excepting trade. House repair seems to be an important reasons for the
craftsmen as also the farmer. As between living and occupational
expenses the former amounts to 62 per cent and the latter to 17 per cent
of the total debt, the remaining 21 per cent being ascribable to other
causes.

4.4.   There was a view prevalent at one time that the chronic indeb-
tedness of our rural population was caused mainly by heavy social and
religious expenses and a penchant for unprofitable litigation. This
view was refuted by the Provincial Banking Enquiry Committee, Bengal,
who stated that "an examination of the sources of indebtedness shows
that litigations and social and religious cremonies contribute, but
little, to rural indebtedness. The agriculturist is, as a rule, improvi-
dent but the reasons for his improvidence have to be looked for elsewhere
than litigation and festival. The real cause of his improvidence is
is poverty. Very little surplus is left to the agriculturist after
meeting his bare necessities and hence he is often to discount his

future security to be relieved of his present necessity,". Our own data generally confirm these conclusions, except that social and religious ceremonies are not so unimportant a cause of indebtedness as the Banking Enquiry Committee suggested. The table below gives the percentage distribution of the amount of loan by the year of incidence and the reason of loan.

TABLE 4. 2.

Percentage distribution of the total amount of loan
by cause of incurrence and year of incidence.

year of incurrence of loan	food	house re-pair	Social & religious	liti-gation	Arrear rent	culti-vation	repay-ment of old loans	Others	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1941	33.39	3.67	14.57	0.37	14.51	7.07	-	26.42	100.0
1942	64.48	0.25	5.42	-	5.20	2.02	-	22.63	100.0
1943	67.51	5.22	9.92	0.55	4.70	4.54	-	7.66	100.0
1944	43.12	5.39	13.39	1.14	8.97	6.51	-	21.48	100.0
1945	36.67	0.09	4.98	1.52	16.20	12.92	0.10	27.52	100.0
1946	51.74	2.33	11.25	0.76	4.29	9.24	0.88	19.51	100.0
Total in 1946	48.86	2.81	10.71	0.75	7.99	8.02	0.39	20.47	100.0

It will be seen that during the war years loans for food have been on the increase, reaching the peak in 1943, declining in 1944 after a year of bumper crops and increasing again in 1946. Apart from this no significant trend can be recognized in the history of other causes of indebtedness.

4. 5. An analysis of the sources of loans reveals the machinery of rural finance, indicates the relative importance of the various agencies and reveals the inter class relationships in the association of different classes of debtors and creditors.

SOURCES OF RURAL   In the following table sources of

CREDIT   loans have been shown under different classes of creditors for successive years in the period 1941 to 1946. Under each source of loan has been shown the percentage of the total loan coming from that class.

Table 4.3   Amount of loans from different sources as percentage
of the total from all sources.

year of incurr ice. (0)	Money lend- ers. (1)	pro- prie- tors (2)	Culti- va- tors. (3)	tra- ders (4)	profe- ssions (5)	Co- opera- (6)	Govt. (7)	Others (8)	Total (9)
1941	18.73	20.15	18.94	11.46	1.74	15.93	0.32	12.73	100.0
1942	14.61	21.76	27.45	22.45	0.34	3.90	7.80	1.69	100.0
1943	13.10	18.35	26.99	7.35	1.92	2.25	29.18	0.80	100.0
1944	14.23	18.04	35.48	7.24	0.23	1.55	11.71	10.92	100.0
1945	20.31	25.17	25.45	11.72	0.39	4.90	4.20	7.30	100.0
1946	17.40	19.74	40.91	11.37	2.17	2.01	2.98	3.42	100.0
Total	16.95	20.30	32.21	11.20	1.64	4.83	7.17	5.70	100.0

In 1941, the professional money lenders, proprietors, and cultivators were the most important sources of rural credit, with traders and co-operatives following. In 1942, money lenders and co-operatives had lost their importance, while traders and cultivators as also Government became more important; other sources practically dried up in 1942. In 1943, trade also lost in importance though money lenders and proprietors still have their share, while Government suddenly became important (apparently because of the famine) and, together with cultivators furnished, the major portion of rural credit. The importance of the cultivator as an agency of rural finance continued to increase to the end of the period except for a slight set-back in 1945. Taking the period as a whole, it is seen that the bulk of the loans have been supplied not by the money lenders or the proprietor classes, but by the cultivators themselves, showing the rise of a new class of rich peasantry who combine agriculture with money lending. Another notable feature is the steady decline of co-operative loan activities.

4. 5.   In 1941, money lenders have already been reduced to a position of minor importance amongst the rural agencies of finance, though, in 1930 they furnished, according to the Provincial Banking Enquiry Committee, 89% of the total credit. It may be that the Committee's figure, bases, as it was, on the survey of a single village (Karimganj) was not a representative one. But it may also be that there has been a real shift of the pivotal point from the village Mahajan to the Cultivator who has prospered during the war. Recent legislation has placed the professional money lender in a position of disadvantage relative to the cultivator-mahajan who is often the local Jotdar and also an employer of labourer. It is quite conceivable on the other hand, that a number of professional money lenders now return

return themselves as cultivators, or, farmers.

4. 6. The following table gives an idea of the usual association between debtors and creditors as classified into occupational groups.

INTER-CLASS RELATIONSHIPS.

The figures indicate the percentages of the total debt returned against particular class of debtor and creditor.

Table 4. 4. Percentage distribution of the total amount of loan in 1940 by occupation of debtors and creditors.

Occupation of debtors	money lenders	propri-etors	SOURCES OF LOAN						Total
			Culti-vators.	tra-ders	profe-ssion	Co-op eretives	Govt.	Oth-ers	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8)
Proprietors	0.82	1.35	0.16	0.11	-	-	0.01	-	2.45
Farmers	1.17	2.81	4.71	1.14	0.30	0.27	0.10	0.31	10.93
Cultivators	6.75	9.84	16.11	4.71	0.28	3.67	2.77	3.31	47.44
Share Croppers	0.47	1.18	2.87	0.47	0.09	0.17	0.08	0.20	6.19
Agri.Labour	2.12	1.2.	4.33	1.07	0.16	0.30	1.98	0.37	11.59
Craftsman	0.01	0.04	0.49	0.30	0.03	-	0.23	0.34	1.50
Profession	2.75	0.40	0.99	1.07	0.25	0.20	0.20	0.45	6.49
Traders	2.47	2.27	1.66	1.15	0.08	0.06	0.49	0.43	8.61
Others	0.39	1.09	0.89	1.12	0.39	0.10	0.59	0.23	4.80
Total	16.95	20.30	32.21	11.20	1.64	4.83	7.17	5.70	100.00

These figures show that the agriculturists are not only the most important financial agencies of the village but that they are also the main suppliers of loans to the agriculturist class. Of the total debt incurred by cultivators (47.75%) one third (16.11%) come from the cultivators themselves. The statement of the Provincial Banking Enquiry Committee that "There is not much loaning among agriculturists themselves" no longer holds good. Of 33.21% of the total loans, which was advanced by the cultivator group, 16.11% went to cultivators, 2.87% to share cropper, 4.35% to agricultural labour and 4.71% to farmer thus making 28.11% leaving only 5.01% as loan is issued to other classes.

As regards the non-agricultural classes amongst debtors, the main source of credit available to them are still the money lenders, proprietors and traders. Of the loans (8.61%) incurred by traders, 2.47% comes from money lenders, 2.77% from proprietors and only 1.00% from cultivators. Similar is the case for the professional classes as debtors who get 2.75% from money lenders and only 0.99% from cultiva or out of a total of 6.49%.

4. 7. The following table has been prepared to see if

RELATIONSHIP BETWEEN THE PURPOSE AND SOURCE OF LOANS. different classes of creditors have any preference for particular purposes for which loan are asked.

Table 4. 5. Relationship between reason of loans and sources of loans. (Percentage distribution of amount).

reason of incurrance	money lenders	proprie-tors.	culti-vators	tra-ders	profes-sions	Co-opera-tives	Govt.	Others	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Food	41.38	49.36	48.09	45.36	60.00	75.67	56.84	36.09	48.85
House repair	1.81	-	3.03	0.86	1.50	-	10.10	0.14	2.81
Social & religious expense	17.95	4.10	15.70	0.99	3.25	3.03	2.71	10.41	10.72
Litigation	0.12	1.68	0.43	1.70	-	-	-	0.18	0.75
Arrear rent	1.99	29.30	3.30	1.05	2.50	0.00	-	0.36	7.99
Cultivation	11.87	3.58	6.25	10.10	13.50	3.07	14.75	12.39	8.02
repayment of old loans	0.85	-	0.71	0.18	-	-	-	-	0.39
other causes	24.03	11.72	22.49	24.08	19.19	10.00	13.54	40.43	20.47
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

On the whole there is no association between particular sources with particular purposes of loans, except perhaps that proprietors advance a large part of their total loan (29.38%) against requirements of arrear rent; such loans may however arise from a mere transfer of the dues from the rent category to the loan categories without actual transfer of cash. For the rest, food covers roughly half the amount advanced by most of the individual sources with an overall percentage of 48. 8.

4. 8.   There is an enormous variation in the interest charged for loans

in rural areas, as will be seen from the

following analysis.

Table 4. 6.   Percentage distribution of amounts of loans
from different sources according to rate of interest.

Source of loan	interest free	RATE OF INTEREST.							Total
		1 - 10	11-20	21-30	31-37	38-56	57-75	76-87	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Money lenders	15.30	15.31	33.04	9.90	23.41	-	2.92	-	100.00
Proprietors	24.14	6.22	39.49	8.37	20.33	0.06	1.39	-	100.00
Cultivators	15.77	17.31	29.52	7.25	26.70	0.40	2.73	0.32	100.00
Traders	21.40	9.68	30.17	8.01	25.30	0.27	4.57	-	100.00
Professions	1.31	11.25	46.02	11.88	26.44	-	2.50	-	100.00
Cooperatives	7.46	46.69	44.50	-	0.42	-	0.93	-	100.00
Government	3.42	91.27	4.04	0.93	0.34	-	-	-	100.00
Others	29.05	27.29	20.01	10.14	10.71	0.84	1.30	-	100.00
Total	17.26	21.00	30.88	7.53	20.01	0.22	2.34	0.10	100.00

The most frequent ranges of interest are 1-10%, 11-20% and 31-37%, the usual rates in these ranges being 6.25, 12.50 and 37.50. Normally one would expect the frequency in successive ranges to increase up to a point and then decrease; this is actually the case except for the range 21.30% which shows a sudden drop in frequency difficult to explain. As regards the source of loan and the rate of interest, co-operatives and the Government charge the lowest rates. They are not however very generous with interest free loans. The commoner agencies of rural credit seem to be quite liberal dispensers of interest free loans, but there is the possibility, in most cases, that payment may be exacted in kind though not in cash, as already mentioned in para 1.10. As to the rate of interest, when this is charged, there is nothing to choose between the rural sources of credit, the professional 'money lenders' and other money-lending sections among proprietors, cultivators or the traders. It is not possible to say whether there has been a rise or fall in the rate of interest. The only basis of comparison would have been the rates of interest quoted by the Provincial Banking Enquiry Committee, but these show a very high degree of fluctuation, different ranges being quoted for different districts and valid

comparisons are not feasible.

4. 9. Turning to the purpose of the loan as a possible influence
on the rate of interest it is found that apart from food and cultiva-
tion which seem to attract relatively high rates of interest, there is
no direct association between the purpose and the rate of interest of
the loans. This is probably due to the fact that rates of interest
depend on the debtor's standing rather than his purpose in seeking the
loan. In the table below the loans issued against each purpose are
classified according to the ranges of interest.

Table 4. 7.

Percentage distribution of amount by reason
of borrowing and the rates of interest charged.

Reason of loan	interest free	rate of interest in Rs. per cent per annum.							Total
		1 -10	11-20	21-30	31-37	38-56	57-75	76-87	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Food	11.67	24.04	29.50	6.19	26.02	0.21	2.37	-	100.00
House repair	15.66	28.31	25.49	2.62	27.42	-	-	-	100.00
Social & reli-gious expenses	13.93	6.38	39.92	10.99	17.26		3.02	-	100.00
Litigation	8.49	4.12	13.07	54.79	9.59	9.04		-	100.00
Repayment of arrear rent	33.10	17.90	46.71	1.22	0.76		0.31	-	100.00
Cultivation	6.40	35.71	19.49	26.05	14.24		2.11	-	100.00
Repayment of old loan	60.21	10.47	26.18	-	3.14	-	-	-	100.00
Others	27.51	16.61	29.17	4.79	19.52	0.24	1.65	0.51	100.00
Total	17.26	21.06	30.38	7.53	20.62	0.22	3.53	0.10	100.00

4. 10. The relatively high level of interests charged in rural areas

NATURE OF SECURITY. is associated with a general lack
of securities against the loans,

as will be seen from the following table.

Table 4. 8. Percentage distribution of amount of loan by
source of loan and nature of security.

Source of loan	no se- curity	NATURE OF SECURITY.						
		Culti- vable land	Homes- tead land	Orna- ment	Uten- sil	Imple- ments	Others	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Money lender	77.85	13.59	0.19	5.93	0.24	0.91	1.29	100.00
Proprietor	80.91	13.77	-	4.06	0.10	-	1.16	100.00
Cultivator	67.74	17.10	-	8.95	2.54	-	3.67	100.00
Trader	53.74	17.36	8.41	15.77	2.49	0.32	0.91	100.00
Libral Profession	59.69	11.25	15.62	10.69	2.75	-	-	100.00
Co-operative	80.88	15.2	1.70	1.59	-	-	0.57	100.00
Government	86.03	4.33	2.85	0.36	-	-	6.43	100.00
Others	70.66	21.01	-	5.24	2.19	-	-	100.00
Total	72.54	15.08	1.52	7.06	1.33	0.25	2.23	100.00

It will be seen that 72.5% of the total loans are unsecured. Amongst the different financing agencies, it will be noted that the traditional money-lender and the proprietor lend without security more frequently than the newly risen financiers from amongst the cultivators, the trade and the liberal profession. Co-operatives and Government are shown to have issued a high percentage of unsecured loans, but this is misleading as, in these cases, the security of some one other than the borrower is needed though this fact is not shown in the returns. According to the Prov ncial Banking Enquiry Committee "80 per cent of the number of loans advanced by the money-lenders is unsecured and 20 per cent secured, but the proportion that the value of the secured loans bear to that of the unsecured loans would be 9 to 10". This remark is not however, borne by facts. This is probably due to the fact that the porportion of smaller loans which do not call for a security are much larger today than in the old days; the average size of a loan today, does not exceed Rs. 100/-.

Table below gives the percentage distribution of the amount of loan by reason of borrowing and the nature of security.

Table 4. 9. Percentage distribution of amount of loan by reason of borrowing and the nature of security.

Reason of borrowing	no. security	culti-vable land.	NATURE OF SECURITY					Total
			Home stead land.	Orna-ment	Uten-sil.	Impli-ment.	Others	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Food	64.77	20.27	1.85	7.40	2.51	0.19	2.95	100.00
House repair	57.77		21.88	9.10	0.30	-	10.02	100.00
Social & Religious expenses	81.07	15.68	-	1.15	0.38	1.43	0.29	100.00
Litigation	24.66	68.49	-	6.85	-	-	-	100.00
Repayment of arrear rent	.87.96	1.28	-	9.48	-	-	1.28	100.00
Cultivation	72.34	16.99	-	9.07	-	-	1.60	100.00
Repayment of old loans	58.11	15.71	-	26.18	-	-	-	100.00
Others	84.72	7.10	-	6.18	0.24	-	1.07	100.00
Total	72.54	15.09	1.52	7.05	1.53	0.24	2.23	100.00

It will be seen that of the three major reasons of loan the 'food' loans are secured in 35.23% of cases, 'cultivation' loans in 27.66% and 'social' loans in 18.93% of cases. This reflects the credit position of the families taking loan for different reasons. Naturally persons taking food loans are worse off while those taking loans for social expenses are better off and therefore, while security is more generally demanded of the former it is excused in the case of the latter in a greater number of cases. It is interesting that only 24.66% of the loans taken for litigation is unsecured. Apparently creditors have less reliance on litigant borrowers.

GENERAL CONCLUSIONS

The la t anthentic report on indebtedness is that of the Banking Enquiry Committee referring to the year 1930. Ours has been the first systematic enquiry since then. Several conclusions emerge from this report, which it is interesting to compare with the findings of the Banking Enquiry Committee.

But the extent and volume of debts today is definitely smaller than in the thirtees, notable changes having appeared during the war years. This cannot however, be interpreted as a sign of prosperity. The poorer sections of the population have failed to reduce their debts; only the richer sections have done so. A tendency towards outright sale of assets has appeared during the last decade or so. Further, generally speaking credit is not so readily available in the village as in the past.

These effects are obviously due to the operation of the Money-lenders Act and the Bengal Agricultural Debtors Act, which has wiped out the indigenous financial agencies (Professional Money-lenders etc.) without creating adequate substitute. The main financier in the village today is a section of the cultivator class, but in this case the scale of operations is nothing like that of the Mahajan.